

Chapter 33

Welfare and Employment Schemes

Welfare and Employment Schemes

33.1 Approximately €20.6 billion has been spent on welfare schemes in 2010 with a further €1 billion being incurred on employment measures. The vast bulk of this is spent through the Department of Social Protection (the Department) which was accountable for expenditure of €20.8 billion of the total. These funds were processed through Vote 38 (€11.3 billion²⁸²) and the Social Insurance Fund (SIF) (€9.5 billion).

33.2 The Department makes three types of welfare payments

- Social insurance type payments, which are made on the basis of PRSI contributions. Payments made under the social insurance system are funded, in part, by contributions from employers and employees. Any deficit in expenditure is met by Exchequer subvention.
- Social assistance (or non-contributory) payments which are made on the basis of satisfying a means test. Social assistance schemes are financed entirely by the Exchequer.
- Payments (such as Child Benefit or Free Travel), which are not dependent on PRSI contributions or a means test. These payments are funded entirely by the Exchequer.

33.3 Responsibility for the Community Services Programme and the Rural Social Scheme was transferred to the Department from the Department of Community, Equality and Gaeltacht Affairs in May 2010. In addition, following a Government decision on 27 April 2010, responsibility for certain employment schemes transferred to the Department. The Department took over responsibility for the FÁS employment programmes and services from 1 January 2011.

Chapter Focus

This chapter consolidates and summarises expenditure on welfare and employment schemes met from various public accounts, setting out the source of the funds applied over the past four years, together with 2011 estimates.

Welfare Expenditure

33.4 All expenditure under the Department's Vote and the SIF has been included in the consolidated view of welfare expenditure set out below as well as around €100 million met from other Votes.

33.5 Expenditure under certain other programmes that could be considered to have broad welfare objectives have not been included in the consolidation including

- medical card expenditure met from the HSE's Vote, estimated at €1.9 billion in 2010
- certain educational expenditure such as the School Support Programme, which is designed to provide a variety of supports to pupils in areas categorised as disadvantaged – its welfare objective arises because it has the potential to reduce child poverty and to improve the life chances of individuals and create improved social outcomes.

²⁸² Net of subvention provided to, and administration costs recovered from, the Social Insurance Fund.

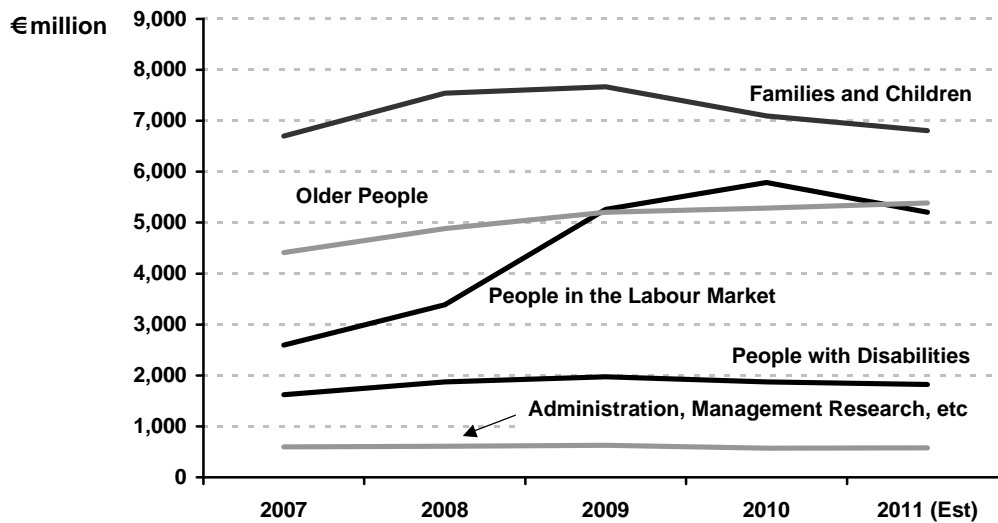
Welfare Expenditure and Funding

33.6 Figure 149 summarises social welfare expenditure on each main category of recipient. It also indicates the sources of that expenditure. Annex A presents a breakdown of social welfare expenditure by category of recipient and by scheme.

Figure 149 Expenditure on Social Welfare

Expenditure Category	2007	2008	2009	2010	2011 Est
	€m	€m	€m	€m	€m
Support for Families and Children	6,700	7,544	7,667	7,091	6,809
Support for People in the Labour Market ^b	2,596	3,389	5,263	5,788	5,203
Support for People with Disabilities	1,622	1,875	1,975	1,873	1,822
Support for Older People	4,414	4,885	5,203	5,286	5,384
Administration, Management, Research, etc	595	610	627	572	579
Total Expenditure	15,927	18,303	20,735	20,610	19,797
Funded through					
Social Insurance Fund	7,251	8,400	9,783	9,458	9,054
Voted Expenditure					
Vote 38 Social Protection	8,055	9,192	10,503	11,051	10,685
Vote 27 Community, Equality and Gaeltacht Affairs	49	49	48	30	—
Vote 40 Health Service Executive	88	120	103	11	9
Vote 41 Children and Youth Affairs	418	480	231	11	1
Expenditure under other votes	50	45	51	34	34
Notional rent on State owned property	16	17	16	15	14
Total Funding	15,927	18,303	20,735	20,610	19,797

33.7 Figure 150 shows the recent trend for the main categories of expenditure.

Figure 150 Trend in Expenditure on Social Welfare

33.8 Expenditure on welfare support for people in the labour market increased rapidly up to 2010, reflecting increasing unemployment during the economic downturn. At 30 June 2011 the level of unemployment stood at 14.2% of the workforce (13.4% for the same period in 2010).

33.9 Overall, a one-tenth expenditure reduction is being projected in 2011 in relation to the provision of supports to people in the labour market. The bulk of this reduction related to €423 million of a projected decrease in expenditure on Jobseekers payments. This is based on an 8% projected decrease in the numbers of people claiming Jobseekers payments²⁸³ together with the full effect of a 4% reduction in average weekly payment rates since the 2011 budget.

33.10 Expenditure in relation to support for families and children decreased by 7.5% between 2009 and 2010 and a further decrease of 4% is projected in 2011. The decrease is accounted for by a reduction in child benefit rates and the replacement of the Early Childcare Supplement with a scheme that has an education focus – the Early Childhood Care and Education Scheme.

Views of the Accounting Officer – Jobseekers' Estimates

33.11 In relation to expenditure on social welfare and employment schemes, I asked the Accounting Officer whether in view of the unemployment trends in the first half of 2011, the 2011 estimates are likely to hold.

33.12 The Accounting Officer stated that at the end of June 2011, the Live Register stood at 457,948 and the weekly average Live Register in the first half of the year had been 442,597. If the current trends continue, it is possible that the Live Register will average in the range 440,000 to 445,000. This is up to 10% higher than the average of 405,000 provided for in the 2011 Estimate.

33.13 She stated that the the Government regularly considers the expenditure position of the Department as a whole, and in particular the extent to which the Department's allocation will meet demands for its schemes, as part of its management of overall Exchequer spending.

²⁸³ The estimate is based on an average weekly Live Register figure of 405,000 in 2011 as compared with 441,000 in 2010.

Employment Schemes

33.14 Expenditure on schemes designed to get unemployed people back into the workforce is set out in Figure 151.

Figure 151 Expenditure on Employment Schemes

Expenditure Category	2007	2008	2009	2010	2011 Est
	€m	€m	€m	€m	€m
FÁS Administration and General Expenses	148	150	150	133	86
Employment Programmes and Integration Support	509	533	508	460	518
Employment Support Services	145	161	194	278	355
Employment Subsidy Scheme	—	—	18	94	4
Community Services Programme	43	47	50	45	47
Total Expenditure	845	891	920	1,010	1,010
Funded through^a					
Vote 38 Social Protection	145	161	194	286	880
Vote 34 Enterprise, Trade and Innovation	657	683	676	288	4
Vote 26 Education and Skills	—	—	—	399	126
Vote 27 Community, Rural and Gaeltacht Affairs	43	47	50	37	—
Total Expenditure	845	891	920	1,010	1,010

Note: a Historic provisions have been reclassified in line with the alterations in Department functions in 2010.

Views of the Accounting Officer – Employment Services

33.15 I asked the Accounting Officer

- how employment activation services are now organised and delivered, the Department's role in this regard and the progress made in profiling applicants for Jobseekers scheme payments
- the arrangements for coordination with the Department of Education and Skills, which is responsible for education and training for the unemployed.

Employment Activation Measures

33.16 The Accounting Officer stated that restructuring in line with international practice has sought to integrate employment and labour market activation measures with benefit payment services in a single government organisation.

33.17 Recommendations from a review of the National Employment Action Plan (NEAP) were submitted to and approved by the Cabinet Committee on Economic Renewal in March 2010. The changes introduced aimed to increase the numbers of unemployed people dealt with as well as to increase the frequency and intensity of activation measures. It also sought to clarify the responsibility of unemployed people in relation to seeking employment and the responsibility of government department agencies in providing unemployment supports.

33.18 Among the measures taken in relation to NEAP was the re-orienting of the three-month referral for Jobseekers claimants from an individual to a group process, improved allocation of interview slots and improved data sharing between the relevant departments and agencies.

33.19 To date, the group engagement process has been implemented on a phased basis in three areas – Galway, Dublin North and Dublin South and it is planned to introduce it to other areas over time. Under this new initiative, jobseekers are initially referred, in groups of between 20 and 30 to a single location, facilitated by a joint Department-FÁS team. However, the Accounting Officer added that because of the time lags inherent in the current selection and referral system it is still somewhat early to gauge the outcome.

33.20 The Department has commenced the development of a profiling system which, it hopes, will identify at initial claim stage, those individuals with a high probability of becoming long-term unemployed, and thereby, segment the jobseeker population for delivery of appropriate supports. Data capture, in this regard, commenced in one office in February 2011 and is now being extended on a phased basis.

33.21 In addition, a working group including representation from the Department, FÁS and the Community Welfare Service is developing an activation model which aims to match the interventions with the different profiles of jobseekers with a view to prioritising those most at risk of becoming long-term unemployed.

33.22 The Accounting Officer noted that, in 2011, all cases referred under the Activation Programme by the Department's facilitators will be drawn from the priority cohorts identified by Government. These cohorts included people under 35 years of age, with low skills and education levels, on the Live Register for over a year, and previously employed in sectors most affected by the downturn.

Integration with Education Services

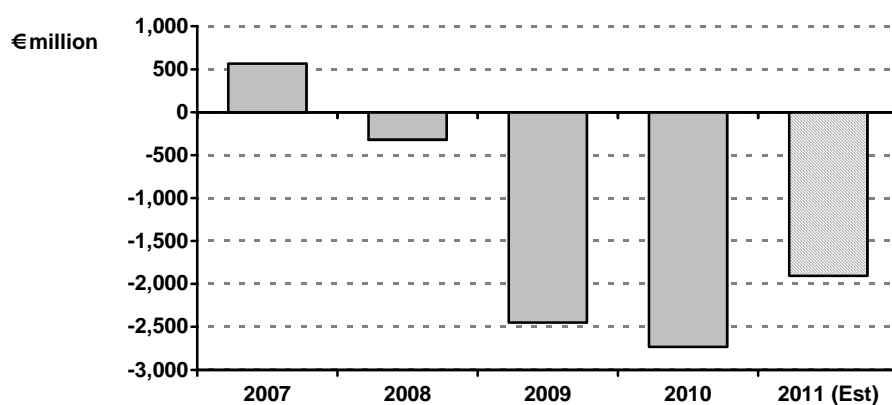
33.23 In relation to integration with education measures, the Accounting Officer noted that profiling of Jobseeker scheme applicants will facilitate the identification of the nature and incidence of local, regional and national skill deficits amongst the unemployed and inform the nature and delivery of appropriate interventions that enhance employability in the context of the changing labour market.

Social Insurance Fund

33.24 Pay-related social insurance contributions collected by the Revenue Commissioners from employers, employees and self-employed persons are paid into the SIF. Benefits under social insurance schemes are paid for out of the SIF's current account. Funds that are not required to meet current expenditure are transferred to an investment account, which is managed and controlled by the Minister for Finance. Under the Social Welfare Consolidation Act 2005, there is provision for the Exchequer to fund any deficit.

33.25 Between 1996 and 2007, expenditure on welfare benefit schemes was less than the income received into the SIF through contributions. As a result, the balance in the investment account increased, standing at just over €3.6 billion at the end of 2007. Since 2008, expenditure has exceeded the income received in the SIF (See Figure 152). Subvention from the Exchequer to the SIF, which commenced on 26 May 2010, makes up the shortfall between income and expenditure since the accumulated amounts were depleted.

Figure 152 Surplus/(Deficit) on Social Insurance Fund 2007 to 2010



33.26 The Minister for Social Protection is required by law²⁸⁴ to commission and publish actuarial reviews of the financial condition of the SIF at least every five years. The last review was published in June 2007, and related to the position at 31 December 2005. The main conclusion of the review was that, while total income to the Fund from contributions was projected to exceed benefit payments in the period to 2010, the Fund's net cashflow was projected to decline rapidly thereafter, with the accumulated surplus exhausted by 2016. As outlined above, the Fund has been operating in deficit since 2008, and the accumulated surplus was exhausted in 2010. It is expected that a review of the financial condition of the Fund at 31 December 2010 will be published next year.

33.27 In 2010, a total of €1.86 billion was paid from the Exchequer to the SIF and there is provision for a subvention of €1.91 billion in 2011.

²⁸⁴ Section 10 of the Social Welfare Consolidation Act 2005.

Conclusion

2010 saw considerable organisational restructuring that brought employment and labour market activation measures together with welfare payment administration.

Around €20.6 billion was incurred on welfare measures in 2010. Employment support and labour market activation measures accounted for a further €1 billion.

Estimates of expenditure on social welfare in 2011 envisage a decline of around €13 million relative to the 2010 outturn. However, the trend in unemployment levels outlined in the report suggests considerable budgetary challenges for the rest of 2011.

Currently, the Department of Social Protection and FÁS are at the early stages of introduction of a set of employment and activation measures designed to improve services based on profiling and segmentation of claimants.

The deficit on the Social Insurance Fund is expected to decline in 2011 as more claimants exhaust their benefits and move onto assistance schemes.

Annex A Welfare Payments by Scheme and Category^a

Expenditure Category^b	2007	2008	2009	2010	2011 Estimate
	€m	€m	€m	€m	€m
Support for Families and Children					
Child Benefit	2,233	2,454	2,495	2,213	2,067
Widow/er Schemes/Guardian's Payments	1,239	1,342	1,392	1,371	1,341
One Parent Family Payment	962	1,067	1,121	1,110	1,112
Supplementary Welfare Allowance	740	867	1,032	1,009	951
Carer's Payment	388	484	533	528	527
Maternity Benefit	258	316	331	324	304
Treatment Benefit	92	97	100	52	23
Family Income Supplement	140	170	167	186	199
Respite Care Grants	72	98	99	128	131
School Meal Grants	28	32	35	35	35
Bereavement and Widowed Parent Grants	21	24	24	25	24
Deserted and Prisoner's Wives	108	111	106	98	93
Adoptive Benefit	1	2	1	1	1
Early Childcare Payments	418	480	231	11	1
Total Expenditure	6,700	7,544	7,667	7,091	6,809
Support for People in the Labour Market					
Jobseeker's Benefit	545	929	1,734	1,285	1,027
Jobseeker's Allowance	875	1,159	2,005	2,809	2,644
Illness Benefit	755	852	920	943	855
Occupational Injury Benefit	104	112	112	105	105
Farm Assist Scheme	79	85	93	111	123
Redundancy and Insolvency	188	202	350	490	402
Health and Safety Benefit	1	1	1	1	1
Rural Social Scheme	49	49	48	44	46
Total Expenditure	2,596	3,389	5,263	5,788	5,203
Support for people with Disabilities					
Disability Allowance	901	1,053	1,143	1,110	1,066
Invalidity Pensions	618	686	682	640	628
Blind Pensions	15	16	16	16	15
Domiciliary Care Allowance	78	110	123	96	104
Blind Welfare Allowance ^c	9	11	11	11	9
Total Expenditure	1,622	1,875	1,975	1,873	1,822

Expenditure Category^b	2007	2008	2009	2010	2011 Estimate
	€m	€m	€m	€m	€m
Support for Older People					
State Pensions	3,754	4,183	4,473	4,537	4,632
Pre-retirement Allowances	124	118	97	78	62
Free Travel	64	68	73	74	77
Electricity Allowance	147	157	166	172	183
Telephone Allowance	99	112	120	119	116
Fuel Allowance	158	176	200	228	230
Free TV licence	52	56	56	58	59
Natural/Bottled Gas Allowances	15	16	18	20	25
Total Expenditure	4,414	4,885	5,203	5,286	5,384
Administration, Management, Research etc					
Administration and management	506	518	543	514	529
Agency and service grants	82	86	81	55	47
Other	7	7	3	3	3
Total Expenditure	595	610	627	572	579
Expenditure on all Schemes	15,927	18,303	20,735	20,610	19,797

Notes: a Annual expenditure data are based on audited appropriation account figures (2007 to 2010) and audited SIF data (2007 to 2009). For 2010, draft figures for SIF expenditure were used because the audit of the 2010 accounts is not yet completed. Based on the experience in previous years, it is not expected that significant changes will be required to the draft account figures. Estimates for 2011 as voted by Dáil Éireann.

b Employment Support Services, previously included in Support for People in the Labour Market, now included in Figure 151 – Expenditure on Employment Schemes.

c While a Government decision was taken in 2006 to transfer responsibility for the Blind Welfare Allowance schemes from the HSE to the Department, a date has not yet been set for this transfer.

d Due to rounding, certain scheme expenditures may not sum to the category totals reported.

